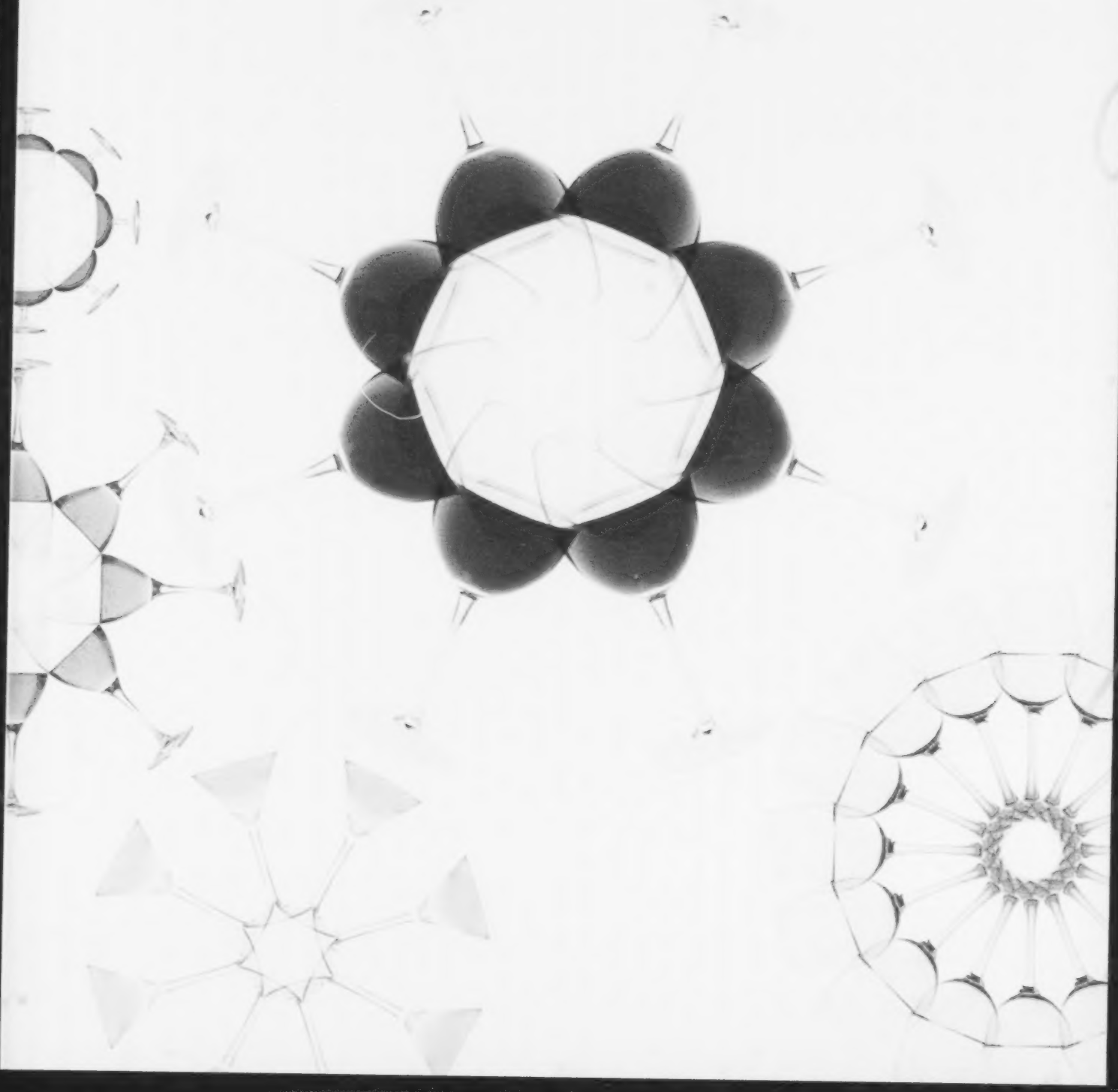
2013–2015 STRATEGIC PLAN

SAQ



"WE WANT QUEBECERS TO DEVELOP A TASTE FOR OUR ADVICE AND WE HOPE THEY WILL ENJOY DOING SO. EACH VISIT TO AN OUTLET IS AN OPPORTUNITY FOR DISCOVERY. THAT POTENTIAL MUST BE PRESENT IN ALL THE UNIVERSES WE CREATE AND IN ALL THE ADVICE WE GIVE, AND IT MUST BE REFLECTED IN EVERY PRODUCT WE SELL."

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

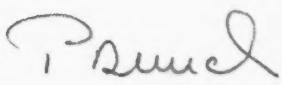
In recent years, the SAQ has encouraged Quebecers to take advantage of its "nice advice." Far from merely expressing a simple shift in its retail strategy, this invitation has manifested itself as a genuine commitment by the company to its customers. Expanding its expertise in the selection and sale of wines and spirits, the SAQ has stated its desire to offer a shopping experience rich in discovery to knowledgeable enthusiasts as well as to customers who are taking their first steps into the fascinating world of wine and spirits.

The high customer satisfaction rate achieved by the SAQ clearly shows that Quebecers appreciate the efforts made and the time they spend in outlets. The shopping environment, the wide variety of available products and the quality of the advice provided only contribute to this state of affairs.

Yet all these retailing activities would be lacking were they not accompanied by a constant focus on performance by the SAQ's various teams. As a result, besides being able to boast of growing sales, the company has attained a level of financial health that meets the expectations of taxpayers, who legitimately demand that their public institutions be managed effectively and rigorously.

The SAQ's 2013–2015 Strategic Plan proposes a logical continuation of the initiatives set out in its preceding plan. Of course, the successes resulting from the actions that have been completed or are well advanced mean the company can look to the next steps with confidence. That said, a clear-eyed reading of the SAQ's business environment also shows that new efforts will be required. The SAQ's strong position in Quebecers' hearts and on the world stage depends on its ability to adapt to the constantly renewed pressures that all beverage alcohol retailers face in the areas of product procurement and customer service.

Building on four strategic orientations and ten priority areas and extending over three fiscal years*, the 2013–2015 Strategic Plan calls on all SAQ employees and aims to instill in them a taste for reaching new standards of quality.



Philippe Duval
Chief Executive Officer

*Each fiscal year ends on the last Saturday of March.

THE SAQ

MISSION

TO SELL BEVERAGE ALCOHOL

PILLARS

ENTHUSIASM KNOW-HOW INNOVATION

VISION

WORLD LEADER IN THE SELECTION AND SALE OF WINES AND SPIRITS

The SAQ operates in a highly regulated industry. The main laws governing the beverage alcohol trade are the following:

- *Act respecting the Société des alcools du Québec* (R.S.Q., c. S-13)
- *Importation of Intoxicating Liquors Act* (R.S.C., 1985, c. I-3)
- *Act respecting Liquor permits* (R.S.Q., c. P-9.1)
- *Act respecting Offences relating to alcoholic beverages* (R.S.Q., c. I-8.1)

The goals of the Policy for the Funding of Public Services include ensuring the continued availability and accessibility of government services. In this context, the Société des alcools du Québec offers merchandise of a commercial nature that allows it to generate profits, which are paid to the government and which benefit the entire community.

SALES PERFORMANCE AND PROFIT

In the last decade, the SAQ has made three significant shifts that have enabled it to increase its sales and productivity. To the retailing shift can be added performance and governance shifts. Today, the results demonstrate the soundness of these choices.

For example, sales have achieved a 5.2% annual growth rate in the last six years, reaching $2.8 billion in fiscal 2011–2012.

During the same period, profit has grown 41%, from $708 million to $999.7 million. This dividend, which is paid to the government, now corresponds to 35.2% of sales.

For its part, the operating ratio has dropped from 21.9% in 2007 to 18% in 2012. This achievement is all the more significant when one considers that, at one point, the ratio was above 25%.

Each year, SAQ outlets complete some 50 million transactions. The average shopping cart has risen from $38.36 in 2007 to $42.62 in 2012. As beverage alcohol prices in Quebec have experienced the lowest inflation in Canada, the case can be made that these data reflect an "upbuying" trend by Quebecers in addition to increased interest in mid-range and high-end products.

Moreover, the SAQ's market share within the Quebec retail space has grown in recent years. The latest figure is 2.37%.

All these positive results remain closely tied to the 91% average overall satisfaction rate that the SAQ obtains from its customers. In fiscal 2011–2012, many customers specifically noted the quality of its advisory service and the expertise of its employees.

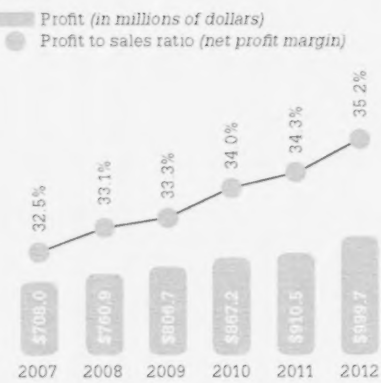
Similarly, the SAQ's balance sheet is largely attributable to the some 7,500 employees who, day after day, allow the SAQ to grow and reach new heights. In 2009, a survey carried out by the government corporation placed its employee mobilisation index at 19, a figure that compares favourably with the average for the benchmarked large Quebec corporations.

In its 2010–2012 Strategic Plan, the SAQ undertook to more intensely differentiate the customer experience and to increase its flexibility in order to reach new standards. It also reiterated the importance of its reputation as a socially responsible company and indicated its firm intention to develop new growth paths.

The achievement of the objectives set out in the preceding plan now makes it possible to measure all the progress made to date and provides a solid foundation on which to realize the orientations of the 2013–2015 Strategic Plan.

Sales
(in millions of dollars)

Profit



Operating ratio
(as a percentage of sales)

PERFORMANCE ASSESSMENT

Keen to improve its performance in each of its areas of business, the SAQ has benchmarked itself against other Quebec corporations as well as organizations outside Quebec. The efforts made within the more formal framework of the *Law respecting the governance of state-owned enterprises* have been recognized by the Quebec auditor general, who, in the spring of 2012, noted that the SAQ had carried out an interesting exercise and distinguished itself by reaching conclusions about aspects of its performance based on comparison with that of similar organizations.

Drawing inspiration from best practices, the SAQ has reviewed several of its processes. On the merchandising front, it has cut the number of in-store planograms, accelerated product introduction lag times and implemented an effective category-based approach for managing the product catalogue. It has also optimized its laboratory operations and reviewed its quality management practices.

The SAQ has also optimized the use of its outlet resources by creating a bottom-up workforce planning model in addition to developing a comparable outlet structure, adopting company-wide performance measurements and implementing an integrated budget process.

It goes without saying that similar benchmarking activities will be carried out in the coming years. An extremely useful measurement tool, they will help the SAQ achieve the ever higher quality standards that it has set for itself.

SOCIAL RESPONSIBILITY

Reviewing the ways in which it does business has also led the SAQ to focus more intensely on social responsibility in the last five years. In addition to being a founding partner of Éduc'alcool, the company ensures strict enforcement of its ethics program, which, among other things, bans the sale of alcohol to minors. The company is also active in the various regions of Quebec through its donation and sponsorship program.

One of the first public-sector organizations to have submitted its sustainable development action plan to the government (in 2008), the SAQ has worked to implement 19 actions that affect all its operations. While eliminating single-use bags and supporting selective collection are among its best known initiatives, other actions can take their place alongside these efforts: the adoption of a responsible procurement policy, an increase in the energy efficiency of its transport operations and the sustainable design of company buildings. In this way, the SAQ has multiplied the new sustainable development actions.

The SAQ will submit its new sustainable development action plan in 2012. The objectives of it and of the 2013–2015 Strategic Plan will therefore be achieved in tandem.

ISSUES

THE EXPECTATIONS OF CONSUMERS TARGETED FROM ALL SIDES

Recent dramatic changes in the behaviour and expectations of SAQ customers are attributable to the rapid growth of the Web, the arrival of social networks and the widespread adoption of mobile and smart devices. Countless customers now begin their shopping experience using these tools. Websites, blogs and apps have made it easier to identify and track products and obtain third-party recommendations. Comparing retailers' merchandising strategies has become child's play for many consumers, with the result that they are increasingly difficult to surprise and satisfy.

Young and less young customers now expect to be reached where they are and based on their preferences and purchase history. Not only is the personalization of marketing tools on the rise, it is also pushing back the limits of more traditional approaches. While mass marketing techniques appear here to stay, they are now supported by personalized programs, flash promotions and à la carte services. Shopping environments are undergoing a rapid transformation, vying for supremacy with designs whose goal is to grab the attention of customers targeted from all sides. Of course, the Web is not exempt from this competition, and that is as true for sites designed merely to generate traffic in stores as it is for transactional sites.

Once in contact with the goods being sold, customers are seeking shopping experiences that stand out in every way. More than making a simple purchase, they want to obtain the latest information, acquire new knowledge and buy high-demand, even exclusive products. That is why they attach unprecedented importance to the range of products offered and to the relevance of the advice provided to them.

The world of wine and spirits lends itself nicely to this new way of reaching out to customers. With its wealth of geography-, history- and terroir-related content, beverage alcohol will be sold using only this approach in the future.

In view of this reality, the differentiation based on the customer experience that was initiated by the SAQ in its preceding strategic plan must be intensified. The SAQ must better adapt its product offer, more coherently integrate its business strategies and once again update its Web-based tools and apps. The SAQ's monopoly status does not exempt it from its first duty as a retailer: to please its customers. Having taken part in the birth of wine culture in Quebec, the SAQ must maintain its ability to deliver to its customers products and services that meet their new expectations.

EFFICIENCY THAT MAKES IT POSSIBLE TO MEET THE PRESSURES OF THE BUSINESS ENVIRONMENT

As is true for other retailers, the SAQ's business environment has become more complex in recent years. The pressures are many and require increasingly disciplined management as well as innovative solutions.

With respect to operating costs alone, the SAQ faces several challenges. If it wants to continue improving its operating ratio, it will have to deal with the growth of its payroll, rent increases and the significant fee hikes related to the use of credit and debit cards.

To compensate for various hard-to-reduce expenses, the SAQ will have to make new efficiency gains. The review of various processes carried out at the end of the 2010–2012 Strategic Plan undoubtedly forms a solid base for this new effort. Various synergies and economies of scale were identified in work organization, the training offer and certain activities. These measures will be continued, as will research to identify the best practices.

More than ever, the SAQ will need to rely on the expertise of its employees who are able to foresee business opportunities and risks. Developing a fine business intelligence is prerequisite to implementing successful strategies.

PROCUREMENT ADAPTED TO THE NEW REALITIES

The SAQ currently offers more than 11,000 products to Quebecers. To make this happen, it purchases approximately $1.1 billion dollars' worth of products each year. Some 16,000 orders submitted to 2,500 suppliers located in more than 65 countries are necessary to ensure the operation's success.

To continue offering this impressive range of products to Quebec consumers, the SAQ has begun addressing two not insignificant phenomena: the future limits of its own logistics chain and fierce competition from other wine-importing countries and major distributors.

Huge demands are already being placed on the SAQ's logistics chain. Its transportation and distribution operations now constitute a significant investment: some $45 million is allocated to shipping while around $50 million is required for the operating budget of the distribution centres, which process and deliver more than 20 million cases to the sales network.

Quebecers' interest in specialty wines adds to the complexity of these activities. Although sales of regular products remain high, volume and dollar sales of specialty wines are also growing. Constituting 80% of the items in the SAQ's product catalogue, specialty products are available on a continuous or batch basis and require a different logistical approach. The same is true for private order products. Offered by the SAQ, private orders have experienced sustained growth since 2007 and are of special interest to restaurateurs. There can be no doubt that these factors increase the pressure on the SAQ's logistics chain.

The changes occurring in the global wine market also present challenges for the SAQ. Already a factor when the 2010–2012 Strategic Plan was published, this phenomenon has only intensified. In today's world, beverage alcohol retailers everywhere must not only compete for allocations of high-demand products but also adapt to the arrival of new consumers from emerging countries such as China. Demand for premium products remains that which is experiencing the strongest growth.

Consequently, the SAQ's current position on the global playing field could change with the arrival of other large players. Having built strong business ties with European producers but less longstanding ones with their New World counterparts, the SAQ would undoubtedly gain from further developing its categories of products from these countries. It would also gain from further adapting its supply chain to the requirements imposed by purchasing and processing small batches. This kind of strategic procurement approach is certain to meet with success over the medium to long term and to give the SAQ a significant competitive edge.

POSSIBLE LONG-TERM SLOWDOWN IN THE GROWTH OF BEVERAGE ALCOHOL SALES IN QUEBEC

In its 2010–2012 Strategic Plan, the SAQ committed to studying actions that will enable it to cope with a possible long-term slowdown in the growth of beverage alcohol sales in Quebec. Closely related to Quebec's aging demographic, this issue remains every bit as relevant three years on. In 2026, people age 65 and older will form more than 25% of the population. And when people get on in years, they usually reduce their alcohol consumption.

Based on forecasts, overall sales growth could reach 4% a year between now and 2015. However, the portion of this annual growth attributable to population growth could drop from the current 1.1% to 0.4% by the end of the decade. This would have the effect of reducing the SAQ's long-term sales growth.

In view these demographic changes and its determination to maintain Quebecers' model of responsible alcohol consumption, the SAQ will have to consider new income paths if it is to continue remitting ever larger dividends to its shareholder. Besides encouraging its customers to go upmarket, the company will study new projects compatible with its mission and likely to boost its earnings. Already under way following the implementation of the 2010–2012 Strategic Plan and the creation of a limited partnership in 2010, this reflection will continue.

STRATEGIC ORIENTATION

OFFER PRODUCTS AND SERVICES ALIGNED WITH CUSTOMERS' NEEDS

The SAQ aims to grow its sales 12% by 2015.

It will do so by putting customers' needs and expectations at the centre of all its retailing and merchandising processes. The SAQ wants to ensure that Quebecers experience the pleasure of discovery every time they shop. Already known for its huge selection of products, its modern marketing tools and the quality of its advisory service, the SAQ will go even further.

It will offer new products, personalized marketing and an enhanced advisory service. By presenting coherent product universes in outlets, the SAQ will make the shopping experience ever more satisfying. In a phrase, it will create a destination.

PRIORITY AREAS	OBJECTIVES
CATEGORY MANAGEMENT DIRECTLY INSPIRED BY CONSUMER BEHAVIOUR ▪ New products ▪ Better development of product categories ▪ Optimal space and planogram management	▪ Continue implementing category management for regular and specialty products ▪ More intensely showcase the Quebec product category
SALES PLUGGED INTO TECHNOLOGY ▪ New value-added content on SAQ.com ▪ Transactional apps that allow distance purchasing	▪ Develop multi-platform sales
IMPLEMENTATION OF A RELATIONSHIP MARKETING STRATEGY ▪ Awareness of customer preferences ▪ Personalized communication	▪ Develop interactive relationships and personalized programs
EVOLVING ADVISORY SERVICE, FOCUSED MORE ON DISCOVERY ▪ Active listening to customers' needs ▪ Evolving the customer approach	▪ Deploy across the outlet network the 4A+ program, which aims to provide a value-added advisory service in line with customers' actual needs (greeting, approach, assistance and leave-taking)

STRATEGIC ORIENTATION

2

IMPROVE PRODUCTIVITY AND PERFORMANCE

The SAQ aims to further reduce its operating ratio and achieve productivity gains of nearly $10 million.

To do so, the SAQ will continue effectively managing its resources and risks. It will also continue simplifying processes and reviewing administrative tasks that do not create value for customers or the organization.

PRIORITY AREAS	OBJECTIVES
A CONSTANT FOCUS ON EFFECTIVENESS AND EFFICIENCY ▪ A review of operations ▪ Simplified processes ▪ Adopting new technology and emerging solutions ▪ Increased organizational effectiveness ▪ Space optimization	▪ Continue efforts to optimize operating and administrative expenses ▪ Use technology as a lever for organizational change and for becoming more flexible ▪ Combine the procurement, merchandising, sales and distribution functions on a single site
A DYNAMIC DEPLOYMENT OF THE OUTLET NETWORK ▪ Geolocation and outlets in line with new trends ▪ More efficient use of outlet space ▪ Evolution of the banners	▪ Adapt the outlet network to customers' new needs
PROXIMATE LEADERSHIP IN HUMAN RESOURCES MANAGEMENT ▪ Evolution of the management culture ▪ Preparation of successors ▪ Increased employee mobilization	▪ Rely on leader development, employee commitment and agility in our ways of doing business

STRATEGIC ORIENTATION

OPTIMIZE THE SUPPLY CHAIN

The SAQ aims to further adapt its supply chain to the diverse requirements of the wine market and thereby emphasize this significant competitive edge.

To this end, the SAQ intends to rely on the expertise developed by its employees and on configuring its distribution centres to be even better performing. In addition, its supply chain will process specialty products and high-demand products even more efficiently. The SAQ will implement various business models that can co-exist and strengthen its position in the industry. Lastly, it will intensify the strategic relationships that can benefit its procurement of products from both Europe and the New World.

PRIORITY AREAS	OBJECTIVES
DIVERSIFIED AND STRATEGIC PROCUREMENT ▪ Stronger relationships with current suppliers ▪ New suppliers	▪ Form partnerships that support strategic procurement
AN INTEGRATED SUPPLY CHAIN ADAPTED TO THE INDUSTRY'S NEEDS ▪ Various business models ▪ Efficient processing of speciality and niche products ▪ Adaptation of the supply and distribution channels	▪ Implement new business models in the current supply chain

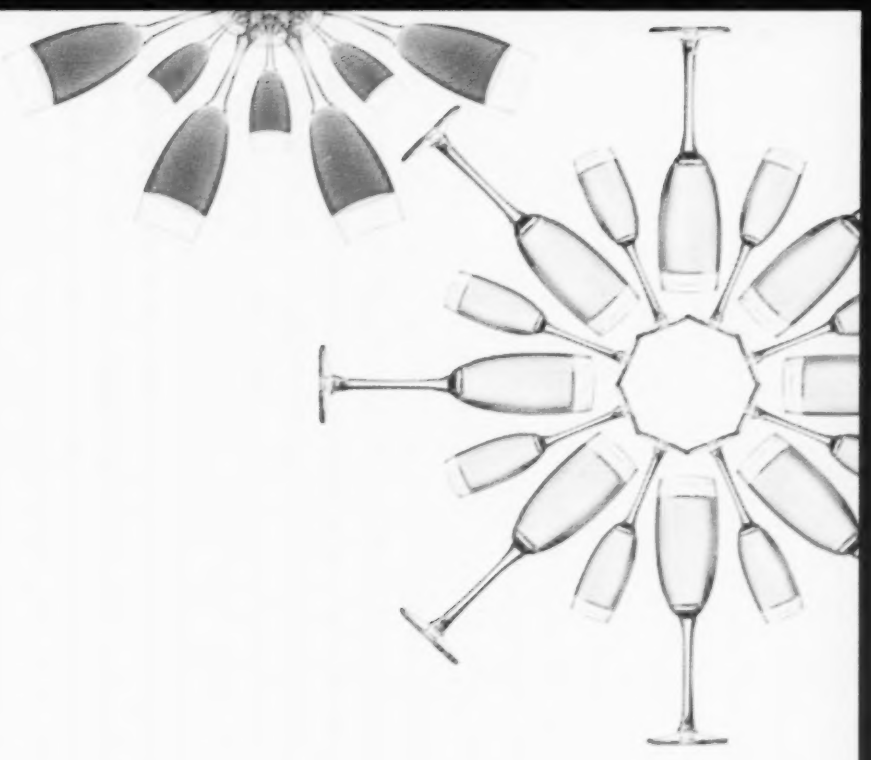
STRATEGIC ORIENTATION

CONTINUE DEVELOPING NEW BUSINESS OPPORTUNITIES

The SAQ aims to continue paying, in the medium and long term, an ever larger dividend to its shareholder while maintaining Quebecers' model of responsible alcohol consumption.

With that goal in mind, the SAQ will continue, as it did when it created a limited partnership in 2010, to seek out and develop new niches and activities related to the beverage alcohol trade and likely to become new sources of income.

PRIORITY AREAS	OBJECTIVES
DEPLOYMENT OF NEW NICHES	
▪ Look for promising new business leads	▪ Identify and implement projects based on the SAQ's distinctive attributes in order to generate additional income



EXPECTED FINANCIAL RESULTS

PROJECTIONS FOR 2013 TO 2015

(in thousands of dollars)

	2013 objectives	Variation	2014 objectives	Variation	2015 objectives	Variation
Sales	2,909,000	2.5%*	3,025,400	4.0%	3,146,400	4.0%
Gross margin	1,551,000	2.8%	1,612,500	4.0%	1,677,000	4.0%
Net expenses	530,000	4.0%**	545,500	2.9%	558,500	2.4%
Profit	1,021,000	2.1%	1,067,000	4.5%	1,118,500	4.8%
Ratios (percentage of sales)						
Gross margin	53.3%		53.3%		53.3%	
Net expenses	18.2%		18.0%		17.8%	
Profit	35.1%		35.3%		35.5%	

*4.0% excluding the 53rd week of fiscal 2012.

**2.0% excluding the effect of favourable items of a non-recurring nature in 2012.

SUMMARY TABLE

The strategic orientations established by the SAQ aim to enable it to position itself favourably in an industry that is dealing with the following issues:

- the expectations of consumers targeted from all sides
- efficiency that makes it possible to meet the pressures of the business environment
- procurement adapted to the new realities
- a possible long-term slowdown in the growth of beverage alcohol sales in Quebec

STRATEGIC ORIENTATION	PRIORITY AREAS
1 OFFER PRODUCTS AND SERVICES ALIGNED WITH CUSTOMERS' NEEDS	CATEGORY MANAGEMENT DIRECTLY INSPIRED BY CONSUMER BEHAVIOUR
	SALES PLUGGED INTO TECHNOLOGY
	IMPLEMENTATION OF A RELATIONSHIP MARKETING STRATEGY
	EVOLVING ADVISORY SERVICE, FOCUSED MORE ON DISCOVERY
2 IMPROVE PRODUCTIVITY AND PERFORMANCE	A CONSTANT FOCUS ON EFFECTIVENESS AND EFFICIENCY
	A DYNAMIC DEPLOYMENT OF THE OUTLET NETWORK
	PROXIMATE LEADERSHIP IN HUMAN RESOURCES MANAGEMENT
3 OPTIMIZE THE SUPPLY CHAIN	DIVERSIFIED AND STRATEGIC PROCUREMENT
	AN INTEGRATED SUPPLY CHAIN ADAPTED TO THE INDUSTRY'S NEEDS
4 CONTINUE DEVELOPING NEW BUSINESS OPPORTUNITIES	DEPLOYMENT OF NEW NICHES

MISSION
TO SELL BEVERAGE ALCOHOL

VISION
WORLD LEADER IN THE SELECTION AND SALE OF WINES AND SPIRITS

OBJECTIVES	INDICATOR*	2013 TARGET	2014 TARGET	2015 TARGET
• Continue implementing category management for regular products • Continue implementing category management for specialty products • More intensely showcase the Quebec product category • Develop multi-platform sales	Sales growth rate	4.0%**	4.0%	4.0%
	Average customer satisfaction in outlets	≥ 92%	≥ 92%	≥ 92%
• Develop interactive relationships and personalized programs • Deploy the 4A+ program across the outlet network	Price of average shopping cart (outlets/individuals)	$43.35	$44.25	$45.15
• Continue efforts to optimize operating expenses • Continue efforts to optimize administrative expenses • Use technology as a lever for organizational change and for becoming more flexible • Combine the procurement, merchandising, sales and distribution functions on a single site	Net expenses as a percentage of sales	18.2%	18.0%	17.8%
	Profit as a percentage of sales	35.1%	35.3%	35.5%
• Adapt the outlet network to customers' new needs	Sales per square foot (outlets and specialized centres)	$1,355	$1,380	$1,410
• Rely on leader development, employee commitment and agility in ways of doing business	Employee mobilization index	≥ 24	≥ 24	≥ 24
• Form partnerships supporting strategic procurement	Procurement success rate for new needs	75%	80%	95%
• Implement new business models in the current supply chain	Number of successfully implemented operational models	2	2	2
• Identify and implement projects based on the SAQ's distinctive attributes in order to generate additional income	Implementation steps	Analysis of promising niches	Choice of niches	Implementation of at least one niche

*The indicators selected as part of the 2013–2015 Strategic Plan take into account the dashboards and business plans for each of the organization's divisions.

**4.0% excluding the 53rd week of fiscal 2012.

THIS STRATEGIC PLAN IS THE RESULT OF AN EXTENSIVE CONSULTATION PROCESS INVOLVING MANAGERS, EMPLOYEES AND PARTNERS.

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